

Unincorporated Area Revenue Estimation and Analysis

2004 Projection From 2002 Actuals

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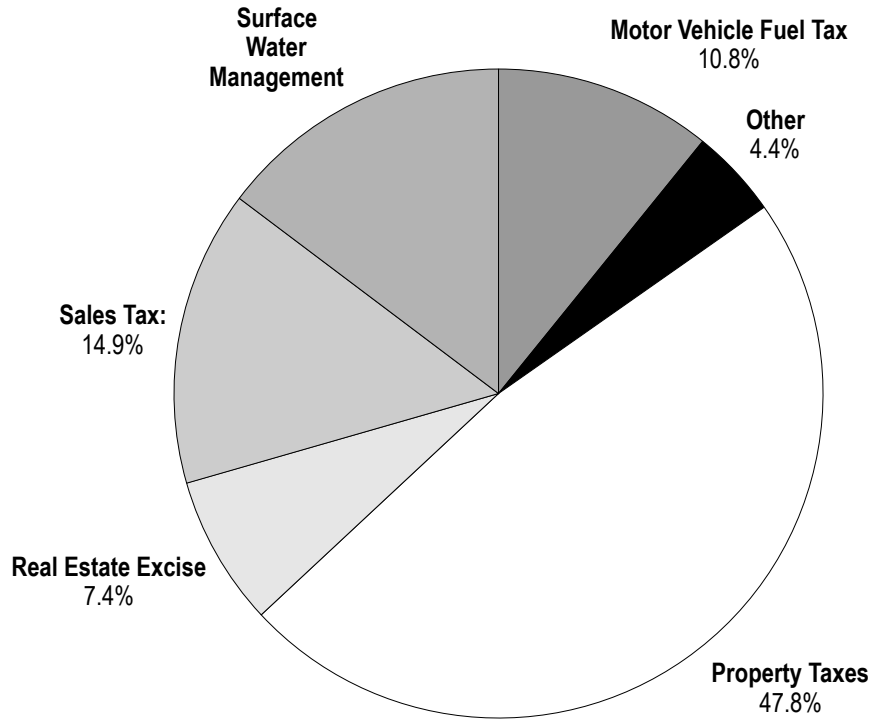
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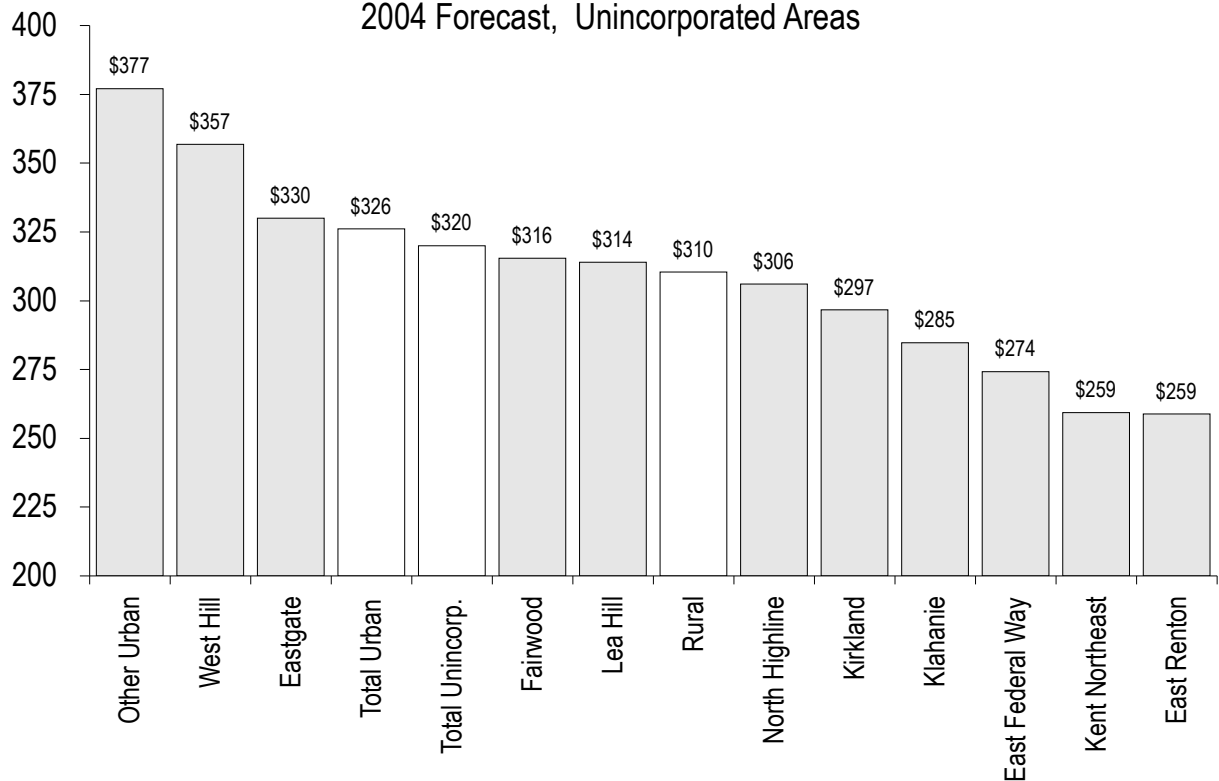
2004 Total Unincorporated Revenue

Excluding DDES and Timber Revenues



Per Capita Local Tax Receipts

2004 Forecast, Unincorporated Areas



I. Present County Collections: Estimation Methodology for Unincorporated Revenues

A. Property Taxes

Property tax estimates are developed from two interconnected components: total levy and assessed valuation.

The Unincorporated Area Levy amount for 2004 is taken from the Roads Fund Financial Plan.

Assessed valuation is based on 2002 assessment data, used to calculate taxes collected in calendar year 2003. Each parcel in unincorporated King County was geocoded—geographically placed at a point relative to the urban growth boundary and the ten major potential annexation areas.

The 2003 unincorporated assessed valuation projection is a subset of the countywide forecast model. As part of the annual budget process, assessed valuation is estimated from an overall trend analysis that regressed historic assessed valuation growth, construction and construction-related sales tax receipts, and anecdotal reports from the King County Assessor's Office. The proportion of assessed valuation growth attributable to the unincorporated area was estimated from a parallel model of historic growth, sales tax data, and DDES permitting activity.

Aggregated assessed valuation for each of the ten major potential annexation area, other urban

areas, and the rural area were than projected to 2003 by allocating overall growth. The primary allocation factor was again permit activity with adjustments for anticipated revaluation disparities among the major potential annexation areas.

A longer term projection to 2010 has also been prepared by extending the short term model, forecasted personal income growth, and the County Demographer's population forecast for the same period.

Local Revenue Analysis

2004 Estimate by Major Potential Annexation Area Unincorporated Area Levy

East Federal Way	2,480,710
Eastgate	935,594
East Renton	1,161,845
Fairwood	5,444,212
Kent Northeast	2,662,076
Kirkland	5,878,213
Klahanie	2,014,475
Lea Hill	1,697,720
North Highline	3,008,059
West Hill	1,790,072
Other Urban	6,702,440
Total Urban	33,775,416
Rural	30,388,219
Total Unincorporated	64,163,635

County Revenue Collection Experience

Unincorporated Area Levy

2000	2001	2002	2003
46,693,336	50,708,615	55,069,178	59,554,943

B. Real Estate Excise Tax

A complete database of taxable real estate transactions was constructed for 2000, 2001, 2002, and the first six months of 2003, including the taxable amount and parcel number. Data were cross-referenced with the geocoded 2002 Assessment file (for 2003 tax liabilities) to identify the geographic pattern of REET tax collections.

Unlike property tax estimates, this model yields both historic actuals and provides the basis for dynamic forecasting. 2004 revenue was projected using the REET forecasting model, which predicts future revenue levels based on the statistical sales velocity of like residential parcels (that is, the likelihood that given residential parcels will be involved in a taxable real estate transaction), historic collections and economic indicators, including prevailing interest rates and aggregate housing demand.

The 2004 revenue forecast directly matches the geographic pattern of tax collections, omitting unusual tax payments. Large timberland acquisitions in the rural area have greatly enhanced county REET revenues in recent years. Given the highly unpredictable nature of such transactions, no such revenue is assumed in the forecast. Since this revenue accrues outside of the urban growth boundary, it has little impact on annexation discussions.

Local Revenue Analysis

2004 Estimate by Major Potential Annexation Area

Real Estate Excise Tax

East Federal Way	571,242
Eastgate	215,960
East Renton	187,942
Fairwood	1,318,927
Kent Northeast	573,557
Kirkland	1,284,421
Klahanie	518,106
Lea Hill	318,619
North Highline	584,101
West Hill	294,526
Other Urban	1,297,047
Total Urban	7,164,447
Rural	2,813,891
Total Unincorporated	9,978,338

County Revenue Collection Experience

Real Estate Excise Tax

Parts 1 & 2 (0.50 percent)

2000	2001	2002	2003
11,410,441	11,744,397	13,586,347	17,087,627

C. Sales Taxes

Taxable retail sales were analyzed through the county's sales tax database of state combined excise tax returns. Given the complexities of local option sales tax revenue assignment, a multi-tiered approach was undertaken to properly credit taxable retail sales.

Retail establishments, and sales tax filers that reported addresses within unincorporated King County, or had an ascertainable address through telephone directory or internet searches, were directly geocoded by zip+4 fields into one of the ten major potential annexation areas, other urban, or rural areas.

Receipts from certain industrial classifications were assigned by appropriate demographic factors. Wireless telephone revenue was allocated according to population, automobile and car/vessel registrations according to income-weighted population, construction according to building permits and population, and business services according to the number of businesses, adjusted by the average number of employees.

In total, 39 percent of sales tax revenue was allocated through automatic or manual

Local Revenue Analysis	
2004 Estimate by Major Potential Annexation Area	
Local Sales Tax	
0.85 General and CJ Population Allocation	
East Federal Way	948,346
Eastgate	307,464
East Renton	293,108
Fairwood	2,783,482
Kent Northeast	867,322
Kirkland	1,565,782
Klahanie	387,493
Lea Hill	704,820
North Highline	2,192,877
West Hill	559,778
Other Urban	2,683,587
Total Urban	13,294,059
Rural	6,707,235
Total Unincorporated	20,001,294

County Revenue Collection Experience

General Sales Tax

Regional and Local Revenue

2000	2001	2002	2003
73,651,464	71,059,166	68,873,095	68,377,898

County Revenue Collection Experience

Criminal Justice Sales Tax

Regional and Local Revenue

2000	2001	2002	2003
11,822,590	10,958,675	10,485,286	10,390,862

Potential Annexation Area Sales Tax by Estimate Component

Calendar Year 2002, General Local Option (1.00%) collections

	Total	GIS ZIP plus 4 match	GIS Manual geocode	SIC [1000-1999] Construction	SIC [4800-4899] Wireless/ Telecom	SIC [5500-5599] Automobile Dealers	SIC [9621] Cars / Vessels (DOL)	SIC [7300-7399] Business Services
East Federal Way	667,149	33,406	-	258,286	137,941	14,095	52,279	26,913
East Renton	177,580	46,698	-	6,168	50,402	5,389	19,990	10,543
Eastgate	270,326	5,255	145,509	7,710	30,838	3,313	12,287	6,973
Fairwood	2,495,738	246,598	915,925	353,120	266,598	25,320	93,915	54,717
Kent Northeast	479,197	51,024	-	64,764	159,163	17,124	63,512	20,014
Kirkland	1,151,204	218,066	115,466	171,163	214,870	24,559	91,092	67,113
Lea Hill	680,017	39,115	-	394,754	56,370	6,065	22,494	14,209
North Highline	1,940,540	389,549	684,014	74,016	215,533	14,100	52,298	91,512
Sammamish	202,718	27,442	-	-	73,944	10,256	38,040	9,211
West Hill	341,744	49,815	33,624	33,924	94,171	7,307	27,103	21,920
Other Urban	2,812,635	108,712	558,898	1,256,736	128,736	13,764	51,050	86,686
Total Urban	11,218,847	1,215,679	2,453,436	2,620,641	1,428,565	141,292	524,060	409,811
Rural	4,883,067	1,113,069	631,050	771,003	905,238	108,804	403,562	266,496
Unincorporated	16,101,184	2,328,748	3,928,137	3,392,415	2,333,803	250,097	927,624	685,486

Unincorporated Sales Tax Receipts by Mailing Address

Local Option Revenue (1.00%) -- DOR ID 1700

Total 2002 Revenue	16,207,530	100.00%
Non-Washington State	5,982,207	36.91%
Washington State, Non-King County	2,635,512	16.26%
King County	7,589,812	46.83%
Post Office Boxes	1,037,144	6.40%
Physical Addresses	6,552,668	40.43%
Incorporated Areas	1,346,850	8.31%
Unincorporated Areas	5,205,817	32.12%

geocoding and another 47 percent by industrial classification. The residual, consisting of smaller establishments with little to no tax liability, was allocated proportionately to other sales tax receipts. The logistical problems inherent in classifying roughly 46,000 combined excise tax returns into twelve geographic subareas cannot be understated.

2004 revenue estimates for each of the potential annexation areas were forecast from 2002 actuals by using weighted industrial classification growth factors from the county sales tax forecast model.

General local sales taxes vary substantially from criminal justice sales tax revenue. General sales taxes are assessed at 1.0 percent on taxable retail sales and are directly tied to location. This revenue is divided between the county (0.15 percent) and cities (0.85 percent), or in the case of unincorporated areas accrues entirely to the county.

Conversely, the criminal justice sales tax revenues are levied countywide at 0.1 percent, with 0.01 percent going to the county and 0.09 percent divided on the basis of population. For this purpose, the unincorporated area is treated like a city, with the county receiving amount proportionate to the unincorporated population's share of total county population, in addition to the initial flat allocation of 0.01 percent.

D. Leasehold Excise Tax

The Leasehold Excise Tax is collected by the state department of revenue but disbursed by the county. Each leasehold has been geocoded to the corresponding levy code. Unincorporated levy codes have been subsequently mapped to the ten major potential annexation areas, other urban, and rural areas. This revenue is collected and disbursed on a lagged quarterly basis. The excise tax of six percent is divided between cities and the county on a 2:1 basis. In unincorporated areas, the full six percent accrues to the county and the portion that would go to a city following annexation is classified as a local revenue.

While growth over time occurs as the number and value of leases generally increases, given the fixed nature of many leases, this revenue can be static over sustained periods of time. For this reason, no growth is assumed from 2002 actuals.

Local Revenue Analysis

2004 Estimate by Major Potential Annexation Area
Leasehold Excise Tax

East Federal Way	16,874
Eastgate	0
East Renton	0
Fairwood	1,158
Kent Northeast	0
Kirkland	9,470
Klahanie	0
Lea Hill	0
North Highline	13,874
West Hill	0
Other Urban	37,504
Total Urban	78,880
	414,120
Rural	414,120
Total Unincorporated	493,000

County Revenue Collection Experience

Leasehold Excise Tax

Regional and Local Revenue

2000	2001	2002	2003
1,365,977	1,636,092	1,566,490	1,648,472

E. Gambling Taxes

Revenue from each of the county's licensed gambling establishments was geocoded according to business location into the ten major potential annexation areas, other urban, and rural areas.

2004 gambling revenues were forecasted based on historic growth trends, particularly the inverse relation ship between gambling receipts and some economic indicators, and department input during the budget process. Aggregated totals for each potential annexation area were projected to 2004 by applying the same overall forecasted rate of growth.

Local Revenue Analysis

2004 Estimate by Major Potential Annexation Area Gambling Taxes

East Federal Way	18,096
Eastgate	0
East Renton	0
Fairwood	435,735
Kent Northeast	4,043
Kirkland	139,369
Klahanie	0
Lea Hill	0
North Highline	791,486
West Hill	1,342,384
Other Urban	2,792
Total Urban	2,733,904
Rural	102,096
Total Unincorporated	2,836,000

County Revenue Collection Experience

Gambling Taxes

	2000	2001	2002	2003
Bingo	96,792	75,392	55,036	38,183
Raffles	2,632	2,201	1,306	2,099
Amusement Games	8,299	4,837	3,329	3,074
Punch Boards	1,443	7,834	3,130	8,574
Pulltabs	774,407	775,989	734,585	740,458
Card Rooms	1,287,317	1,726,868	1,837,540	1,891,542
Total	2,172,889	2,595,121	2,636,928	2,685,931

F. Pet Licenses

Each 2002 new or renewal pet license application was geocoded using the zip+4 field. Pet licenses outside of the unincorporated area were excluded. Pet licenses reporting post office box zip codes were assigned to neighboring residential areas on a weighted average based on past work with sales tax analysis. Once geocoded, aggregated totals were calculated for each of the ten major potential annexation areas, other urban, and rural areas.

The 2004 pet license revenue forecast was prepared from departmental estimates. Aggregated totals for each potential annexation area were projected to 2004 by applying the same overall forecasted rate of growth.

Local Revenue Analysis

2004 Estimate by Major Potential Annexation Area Pet Licenses

East Federal Way	27,941
Eastgate	114,888
East Renton	39,967
Fairwood	155,984
Kent Northeast	113,414
Kirkland	214,780
Klahanie	25,025
Lea Hill	124,911
North Highline	5,680
West Hill	52,669
Other Urban	185,966
Total Urban	1,061,225
Rural	593,836
Total Unincorporated	1,655,061

County Revenue Collection Experience

Pet Licenses

Unincorporated and Contract City Revenue

2000	2001	2002	2003
1,898,430	2,036,058	2,142,602	2,388,514

G. Liquor Excise Taxes and Liquor Control Board Profits

All liquor related revenues are collected by the state and distributed by population-driven formula to local governments. This formula was replicated for the ten major potential annexation areas, other urban, and rural areas.

Liquor related revenues are forecast based on historic collection trends. The overall growth rate assumption is applied uniformly to each of the ten major potential annexation areas, other urban, and rural areas.

Local Revenue Analysis

2004 Estimate by Major Potential Annexation Area

Liquor Revenue

East Federal Way	64,852
Eastgate	15,765
East Renton	23,999
Fairwood	135,039
Kent Northeast	73,288
Kirkland	106,010
Klahanie	33,875
Lea Hill	24,959
North Highline	110,117
West Hill	51,450
Other Urban	90,208
Total Urban	729,562
Rural	464,874
Total Unincorporated	1,194,436

County Revenue Collection Experience

Liquor Excise Tax

2000	2001	2002	2003
372,094	393,522	404,978	428,298

County Revenue Collection Experience

Liquor Control Board Profits

2000	2001	2002	2003
804,422	772,162	789,458	919,630

H. Motor Vehicle Fuel Tax

Motor Vehicle Fuel Tax revenues are allocated among local governments using one of the most complex and less easily replicated state distribution formulas. The County Roads Division has developed a simplified model as a proxy for the state formula, and this approach is used to allocate current Motor Vehicle Fuel Tax receipts among the ten major potential annexation areas, other urban, and rural areas.

2004 Motor Vehicle Fuel Tax revenues are estimated by applying the state's official forecast to 2002 actuals. The overall growth rate assumption is applied uniformly to each of the ten major potential annexation areas, other urban, and rural areas.

Local Revenue Analysis

2004 Estimate by Major Potential Annexation Area

Motor Vehicle Fuel Tax

East Federal Way	641,925
Eastgate	156,050
East Renton	237,547
Fairwood	1,336,658
Kent Northeast	725,432
Kirkland	1,049,318
Klahanie	335,307
Lea Hill	247,049
North Highline	1,089,975
West Hill	509,264
Other Urban	892,902
Total Urban	7,221,425
Rural	7,221,425
Total Unincorporated	14,442,850

County Revenue Collection Experience

Motor Vehicle Fuel Tax

2000	2001	2002	2003
13,473,921	13,338,112	13,520,500	13,591,927

I. Cable Franchise Fee

Cable Franchise revenue was approximated from King County Office of Cable Communications records. Since data supplied by Comcast does not well coincide with the urban growth boundary or most major potential annexation area boundaries, revenue within overlapping subareas was allocated by household.

Local Revenue Analysis

2004 Estimate by Major Potential Annexation Area

Cable Franchise Fee

East Federal Way	163,788
Eastgate	39,816
East Renton	60,610
Fairwood	341,050
Kent Northeast	185,095
Kirkland	267,735
Klahanie	85,554
Lea Hill	63,035
North Highline	278,108
West Hill	129,939
Other Urban	227,825
Total Urban	1,842,555
Rural	457,445
Total Unincorporated	2,300,000

County Revenue Collection Experience

Cable Franchise Fee

2000	2001	2002	2003
2,096,403	2,366,650	2,315,732	2,463,668

J. Surface Water Management Fees

SWM fees have been omitted from this analysis. These fees are not used for general government purposes and thus are not relevant to a discussion of county revenues. Parcel data is included in the third section of this report to assist cities in calculating SWM revenue following annexation.

2004 Surface Water Management Fee Data

Fee type parcel data by major PAA

	Total Parcels [Approximate]	Traditional Residential		Other Parcels		
		N [Flat fee]	Percentage	N [Variable fee]	Average Fee	Median Fee
East Federal Way	6,373	6,168	96.8%	205	\$ 633.03	\$ 91.43
Eastgate	1,664	1,642	98.7%	22	\$ 658.22	\$ 91.43
East Renton	2,648	2,588	97.7%	60	\$ 159.53	\$ 91.43
Fairwood	11,065	10,819	97.8%	246	\$ 1,389.88	\$ 285.00
Kent Northeast	6,564	6,233	95.0%	331	\$ 499.25	\$ 91.43
Kirkland	9,732	9,558	98.2%	174	\$ 1,283.70	\$ 581.26
Klahanie	2,736	2,718	99.3%	18	\$ 2,500.26	\$ 687.17
Lea Hill	2,416	2,363	97.8%	53	\$ 1,517.50	\$ 91.43
North Highline	8,104	7,398	91.3%	706	\$ 659.92	\$ 270.66
West Hill	4,365	4,216	96.6%	149	\$ 770.68	\$ 343.82

K. Development-Related Permit and Mitigation Fees

Development related fees have been omitted from this analysis. These fees are premised upon cost recovery; the direct linkage between cost and expense makes such fees irrelevant to a discussion of general government revenues.

II. Revenue Implications of Annexation

This two-page analysis was prepared by the Economics Section of the City of Seattle Department of Finance. It focuses on a potential Seattle annexation of North Highline and West Hill, but raises general issues applicable to any annexation in King County.

Tax considerations of annexation

The purpose of this paper is to look at the tax changes that occur for the West Hill and North Highline communities if they were annexed to the city of Seattle.

The major taxes to consider are property, business and occupation (B&O), sales, utility, and monorail. After annexation, residents and businesses will be liable for all the taxes under Seattle's tax structure. In some cases, they will be required to pay new taxes since B&O and utility taxes are not imposed in unincorporated areas. With regard to property tax, they will trade off some levies for others. Figure 1 summarizes the major tax differences between unincorporated areas and Seattle. It is followed by a discussion of how property tax would apply under the two scenarios.

Figure 1. Tax structure comparison between unincorporated areas and Seattle

Tax	Unincorporated Area	Seattle	Exceptions/Issues
Property	local rates include road levy and junior districts	local rates are covered under City rate – no junior districts in Seattle	Seattle GO bond debt may be assumed if proposed and approved by 60% majority. Without debt assumption, voter requirement for annexation approval is simple majority.
B&O	not applied	applied to business revenue	new tax for businesses
Sales	applied to retail and some services	applied to retail and some services	no change
Utility	not applied	applied to major utilities including cable, phone, electricity, water and sewer	may exist in parts of unincorporated area if service was already provided by City utility; otherwise new tax
Monorail	not applied	applied to book value of vehicle	Although currently not applied to property, monorail authority could extend to property tax.

Property Tax

While some of the taxes hit businesses and residents differently, the property tax applies equally to all residential and commercial property owners, and passed on indirectly to renters and lease holders. Regardless of where the property is located in King County, the tax rates for the State, County, Port, and EMS, referred to as the consolidated levy, is the same. The respective school districts would also remain the same. The major difference lies in the local portion of the property tax.

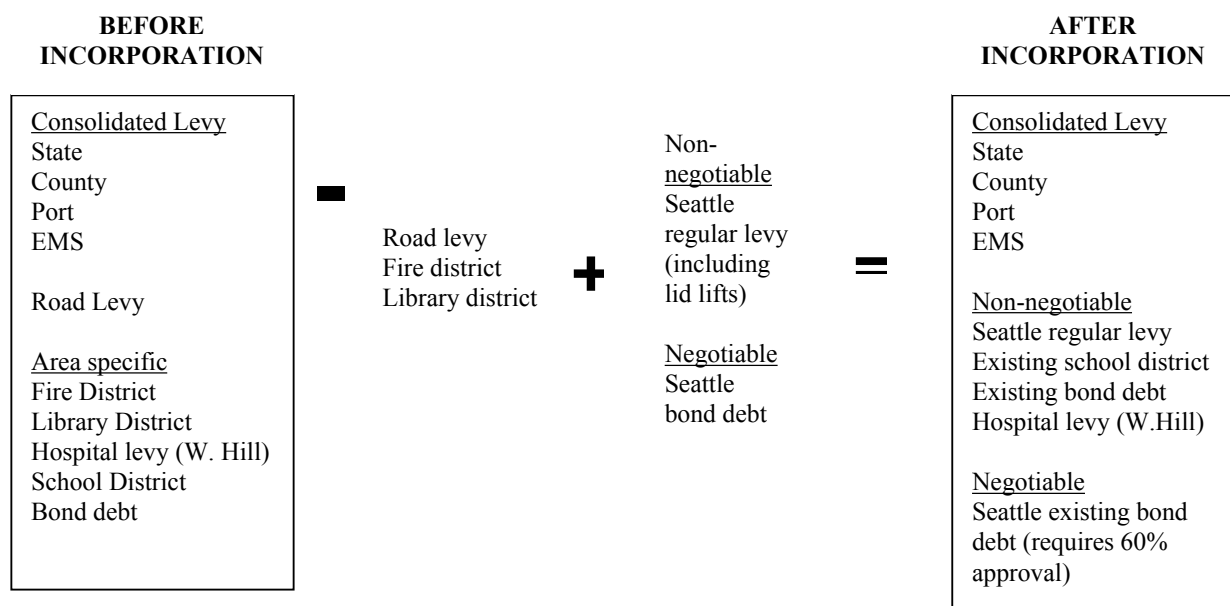
Local portion

All unincorporated areas are subject to the King County road levy as well as the King County library district. Additionally, West Hill and North Highline are served by their own fire districts. In comparison, Seattle has a local property tax authority of \$3.60 per \$1000 assessed value to cover general governmental services and simple-majority voter-approved levies. Seattle does not have junior districts, but does have long-term bond debt.

If incorporated into Seattle, West Hill and North Highline would be subject to Seattle's regular property tax levy in lieu of the road levy, fire district levy, and library district levy. They would be liable for Seattle voter-approved "lid lifts," i.e. property tax levies passed by simple-majority of voters in Seattle.

Seattle's lid lifts support education programs, parks, community centers, Seattle Center, low-income housing, and fire facilities. Existing bond debt of West Hill and North Highline would continue after incorporation until expiration of bonds, and West Hill would continue to pay its existing hospital levy. Seattle residents would not assume any bond debt of West Hill or North Highline; however, the opposite may not apply. All or any portion of Seattle's indebtedness can be included on a proposition for approval. However, the approval requirement increases to a majority of 60% of registered voters of the territory proposed to be annexed, and there are turnout requirements. This is opposed to a simple-majority approval requirement for annexation without assumption of debt. Figure 2 illustrates the trade offs that would occur under incorporation.

Figure 2. Summary of property tax changes due to incorporation



By incorporating into Seattle, West Hill and North Highline would probably reduce their property tax liabilities. Using 2003 rates, West Hill would reduce its bill by 6.8% and North Highline by 7.4%. Figure 3 shows how the average tax bill might change under incorporation. Factors that would change the amount of taxes owed when incorporating into Seattle include the passage of voter-approved measures in Seattle. For example, the recently passed Seattle fire facilities levy would add approximately 30 cents to the Seattle rates in 2004.

Figure 3. Comparison of property tax levy liability before and after incorporation

Area	average assessed value	2003 Rates per \$1000 AV		Property Tax Owed	
		unincorporated	annexed to Seattle	unincorporated	annexed to Seattle
<u>North Highline</u>					
commercial	\$560,000	12.79	11.84	\$7,200	\$6,600
residential	\$170,000	12.79	11.84	\$2,200	\$2,000
<u>West Hill</u>					
commercial	\$395,000	12.44	11.59	\$4,900	\$4,600
residential	\$200,000	12.44	11.59	\$2,500	\$2,300

III. Prospective Municipal Collections: Estimation Methodology for Unincorporated Area Revenues

A. Imputation of Equivalent Revenues

For the bulk of current revenues, current collections can be easily imputed into municipal revenues. For example, the local portion of sales tax collections (excluding the regional 0.15 percent that remains with the county) directly transfers, as does the leasehold excise tax, and gas tax. Other revenues involve the same base but the application of a different rate – property taxes, surface water management fees, and gambling taxes (where legal). Finally, liquor revenues use the same formula but a different pool of funds for cities than counties, resulting in a different calculation.

B. Utility Taxes

Utility tax revenue estimates were prepared for the potential annexation areas, other urban areas, and the rural portion of unincorporated King County from a variety of statistical sources.

For each utility classification, separate usage estimates were prepared primarily using 2000 Census block group data and King County Assessor records. Key variables were the prevalence of utility water service, sewage service, primary source of household heat, dwelling type, size, and age, and the age distribution of residents.

Some utility classifications, most notably telephone and water service, are universally available and were allocated proportionate to the number of households, adjusted only

2004 Unincorporated Utility Tax Revenue Estimate
Revenue per percentage point of utility tax

	East Federal Way	Eastgate	Renton East	Fairwood-Petrovitsky	Kent Northeast	Finn Hill-Juanita-Kingsgate	Klahanie	Lea Hill Remainder	North Highline	West Hill	Other Urban	Total Urban	Rural	Total Unincorporated
Natural Gas	24,369	9,693	14,533	47,839	28,658	65,279	28,000	16,437	12,331	7,812	25,495	280,446	162,897	443,343
Electricity	154,127	19,743	49,218	324,824	188,556	229,819	51,014	64,593	340,492	142,330	156,472	1,721,187	1,199,476	2,920,663
Telephone	32,636	11,938	15,886	73,121	35,675	79,376	27,720	21,370	41,135	24,156	36,301	399,315	197,376	596,691
Cellular	44,517	10,032	18,392	82,555	55,176	70,015	23,617	18,810	68,761	30,096	42,197	464,168	214,441	678,609
Water	29,479	11,210	12,179	54,668	36,538	84,035	28,346	12,456	68,300	29,894	36,711	403,817	65,924	469,741
Sewer	26,625	6,000	11,000	49,375	33,000	41,875	14,125	11,250	41,125	18,000	25,238	277,613	(4,988)	272,625
Solid Waste	53,250	12,000	22,000	98,750	66,000	83,750	28,250	22,500	82,250	36,000	50,475	555,225	377,769	932,994

Typical Household Utility Bill Components

2004 Rate Projection

Puget Sound Energy		Seattle City Light		Comcast			
Natural Gas	Electricity	Electricity	Cable Television	Telephone	Cellular	Water/Sewer	
80 BTU/month	1,000 kwh/month		Basic	Basic	Basic		
888	816	771	492	336	504	1,500	

Age of Residential Structures

August 2003 Assessor Mainframe Data Extract

	Year of Construction		Year of Renovation		
	Mean	Median	Parcels [Percentage renovated]	Mean	Median
East Federal Way	1975	1976	1.8%	1982	1985
Eastgate	1962	1955	2.2%	1991	1992
East Renton	1971	1969	0.9%	1991	1991
Fairwood	1975	1976	1.1%	1991	1991
Kent Northeast	1977	1978	0.7%	1983	1988
Kirkland	1974	1973	1.6%	1985	1987
Klahanie	1989	1989	0.0%	1996	1996
Lea Hill	1983	1989	1.1%	1986	1986
North Highline	1951	1950	5.1%	1974	1977
West Hill	1954	1952	2.1%	1986	1990

Characteristics of Residential Structures

August 2003 Assessor Mainframe Data Extract

	Stories	Bedrooms	Square Footage Total Livable Space		Bathrooms			
	Mean	Mean	Mean	Median	Full [Mean]	Three-Fourths [Mean]	Half [Mean]	Total [Mean]
East Federal Way	1.30	3.30	1,749	1,660	1.36	0.37	0.46	2.19
Eastgate	1.13	3.48	1,773	1,560	1.23	0.41	0.32	1.96
East Renton	1.16	3.34	1,787	1,720	1.22	0.47	0.35	2.05
Fairwood	1.30	3.41	1,896	1,830	1.37	0.46	0.44	2.28
Kent Northeast	1.30	3.39	1,798	1,770	1.40	0.44	0.49	2.34
Kirkland	1.25	3.45	1,912	1,780	1.31	0.62	0.42	2.35
Klahanie	1.93	3.41	2,211	2,120	1.87	0.18	0.92	2.97
Lea Hill	1.50	3.54	2,064	2,040	1.59	0.35	0.55	2.49
North Highline	1.05	2.93	1,379	1,290	1.10	0.23	0.17	1.50
West Hill	1.09	3.10	1,666	1,580	1.17	0.34	0.21	1.71

2000 Census Data Extract

Bureau of the Census Logical Record Number corresponding to major Potential Annexation Areas

Proportion of households with utility service available (telephone, plumbing).

Primary heating source of households (utility gas, electricity).

logrecno	Population	Housing Units	Telephone	Plumbing	Utility Gas	Electricity
4908	8,215	2,730	99.71%	100.00%	41.3%	27.1%
4924	11,436	4,241	99.43%	99.65%	41.5%	33.6%
6740	6,870	2,337	99.36%	99.02%	73.9%	12.6%
East Federal Way		9,308	99.50%	99.59%	49.55%	26.31%
5355	4,558	1,743	99.09%	99.54%	53.9%	15.0%
Eastgate		1,743	99.09%	99.54%	53.88%	14.89%
5254	25,754	10,134	99.57%	99.57%	43.4%	30.0%
Fairwood-Petrovitsky		10,134	99.57%	99.57%	43.41%	29.92%
5411	22,661	8,553	99.74%	99.62%	53.4%	25.7%
5514	12,222	4,424	99.47%	100.00%	56.8%	23.8%
Finn-Juanita-Kingsgate		12,977	99.65%	99.75%	54.57%	24.98%
6551	27,787	9,553	99.83%	99.78%	54.0%	26.3%
8290	1,521	531	100.00%	100.00%	41.1%	23.2%
Kent Northeast		10,084	99.84%	99.79%	53.30%	26.05%
6387	2,977	980	100.00%	100.00%	84.5%	7.1%
6391	7,976	2,817	100.00%	100.00%	60.9%	19.8%
Klahanie		3,797	100.00%	100.00%	67.02%	16.49%
6187	8,187	2,862	98.43%	100.00%	42.9%	31.5%
6752	2,684	892	100.00%	100.00%	77.2%	9.4%
Lea Hill Remainder		3,754	98.80%	100.00%	51.04%	25.84%
6811	11,188	4,662	97.01%	99.26%	20.7%	37.1%
7983	20,975	7,775	98.59%	98.87%	19.4%	38.3%
North Highline		12,437	98.00%	99.01%	19.89%	37.06%
5390	4,904	1,775	100.00%	100.00%	60.7%	20.4%
Renton East		1,775	100.00%	100.00%	60.71%	20.43%
5241	2,812	1,302	100.00%	100.00%	24.0%	33.4%
6411	11,165	4,483	98.91%	100.00%	20.7%	36.9%
West Hill		5,785	99.16%	100.00%	21.46%	35.80%

logrecno	Population	Housing Units	Telephone	Plumbing	Utility Gas	Electricity
10092	6,129	2,044	97.95%	99.90%	14.6%	35.7%
10101	5,812	2,023	100.00%	99.11%	14.8%	43.9%
10116	2,570	939	98.19%	100.00%	40.8%	25.8%
10133	3,224	1,221	99.07%	97.37%	1.4%	28.2%
10137	4,035	1,553	96.78%	100.00%	13.7%	37.8%
10142	4,353	1,492	99.46%	99.46%	55.7%	23.1%
10175	3,943	1,427	99.57%	100.00%	30.4%	29.4%
10187	3,524	1,213	100.00%	100.00%	59.7%	19.3%
10191	2,670	953	100.00%	100.00%	26.1%	33.6%
10210	2,905	1,089	100.00%	100.00%	5.5%	39.7%
10214	4,802	1,701	99.02%	99.69%	20.9%	28.4%
10245	4,566	1,767	99.64%	99.58%	33.6%	35.7%
10300	6,130	1,965	99.38%	100.00%	63.3%	21.0%
10307	5,135	1,660	100.00%	100.00%	70.9%	17.2%
10317	4,634	1,448	100.00%	100.00%	77.9%	14.0%
10322	5,016	1,756	99.19%	100.00%	60.8%	21.4%
10387	4,903	1,814	98.11%	99.02%	16.9%	34.4%
10392	2,690	1,060	99.52%	100.00%	28.0%	33.3%
10399	6,307	2,529	99.65%	99.48%	15.2%	47.6%
10415	2,696	1,376	96.02%	96.68%	14.1%	35.9%
8420	5,161	2,402	98.87%	98.69%	11.5%	36.5%
8427	4,962	2,465	98.22%	99.06%	18.7%	32.1%
Rural / Vashon		35,897	99.00%	99.43%	30.64%	31.07%

Unincorporated Demographics

2000 Census Data by Major Potential Annexation Area

	Population	Housing Units	Average Household Size	Median Household Income	Median Age
East Federal Way	20,350	7,180	2.90	62,400	36.1
Eastgate	4,558	1,743	2.66	65,600	37.0
East Renton	7,370	2,650	2.80	65,300	38.2
Fairwood	39,430	15,080	2.65	58,000	35.4
Kent Northeast	23,555	8,138	2.97	65,700	34.9
Kirkland	31,723	11,811	2.75	69,800	34.9
Klahanie	10,953	3,797	2.99	84,700	32.4
Lea Hill	8,171	2,794	2.98	65,700	32.6
North Highline	32,035	12,330	2.68	39,950	33.4
West Hill	13,977	5,780	2.50	47,385	38.0

Comparison of Primary Heating Source Data

	Bureau of the Census		King County Assessor						
	Natural Gas	Electricity	Oil	Gas	Electricity	Oil with solar	Gas with solar	Electricity with solar	Other
East Federal Way	49.5%	26.4%	8.2%	72.1%	19.6%	0.0%	0.0%	0.1%	0.0%
Eastgate	53.9%	15.0%	49.1%	41.3%	9.4%	0.0%	0.1%	0.1%	0.0%
East Renton	60.7%	20.4%	11.8%	64.8%	23.2%	0.0%	0.1%	0.0%	0.0%
Fairwood	43.4%	30.0%	6.9%	82.9%	9.8%	0.0%	0.3%	0.0%	0.0%
Kent Northeast	53.3%	26.1%	6.6%	78.4%	14.9%	0.0%	0.0%	0.0%	0.0%
Kirkland	54.6%	25.1%	3.8%	81.5%	14.4%	0.0%	0.2%	0.0%	0.0%
Klahanie	67.0%	16.5%	0.3%	99.0%	0.5%	0.0%	0.1%	0.0%	0.1%
Lea Hill	51.0%	26.2%	8.4%	68.2%	23.3%	0.0%	0.0%	0.1%	0.0%
North Highline	19.9%	37.8%	40.9%	34.9%	24.0%	0.1%	0.0%	0.0%	0.0%
West Hill	21.5%	36.1%	50.5%	28.0%	21.5%	0.0%	0.0%	0.0%	0.0%

for the size of the family and dwelling. Cable television and solid waste utility revenue was estimated using existing county data for the unincorporated area.

Electricity and natural gas, however, presented much larger logistical problems. To start, Puget Sound Energy, which provides both electricity and natural gas utility service over the majority of unincorporated King County, declined to share revenue information for the area. Although regulated by the state, Puget Sound Energy is only required to divulge state level statistics. Seattle City Light did provide electricity consumption data for the unincorporated sections of its service area – West Hill and North Highline.

Stark differences in electricity and natural gas consumption exist between households; demographics and housing characteristics are used to account for this substantial variance across major potential annexation

areas. Further adjustment was made to composite household profiles to account for differences in utility services from regulated utility rates. The resulting aggregate totals are shown for each major potential annexation area by utility category. Since the focus was estimating household consumption patterns, small adjustments were needed to capture commercial and industrial properties. In general, non-residential utility consumption was assumed as a multiple of the value of buildings and improvements on each non-residential parcel. Apartments and condominiums were modeled in a similar fashion, with adjustments made for total square footage, structure age, and heating source.

Small statistical adjustments were made to reflect changes since 1999 (the target year for most 2000 Census questions), and inflation factors were applied where appropriate to anticipate 2004 levels.

Primary Heating System

August 2003 Assessor Mainframe Data Extract

	Floor-wall	Gravity	Radiant	Baseboard [electric]	Forced air	Hot water	Heat pump	Other
East Federal Way	1.8%	0.0%	0.4%	10.9%	83.7%	0.8%	2.3%	0.0%
Eastgate	2.4%	0.0%	0.2%	6.0%	89.8%	0.7%	0.9%	0.0%
East Renton	6.2%	0.0%	0.3%	11.9%	77.2%	1.5%	2.9%	0.0%
Fairwood	2.7%	0.1%	0.2%	5.2%	90.1%	0.5%	1.2%	0.0%
Kent Northeast	6.6%	78.4%	14.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Kirkland	3.8%	81.5%	14.4%	0.0%	0.2%	0.0%	0.0%	0.0%
Klahanie	0.1%	0.0%	0.0%	0.2%	95.1%	0.0%	4.5%	0.0%
Lea Hill	0.7%	0.0%	0.4%	13.8%	80.6%	1.2%	3.2%	0.0%
North Highline	10.2%	0.8%	1.5%	16.5%	68.1%	2.1%	0.8%	0.0%
West Hill	7.6%	0.8%	1.6%	13.1%	72.1%	3.9%	1.0%	0.0%

C. Business Licenses and Gross Receipt Taxes

Business license revenue is easily calculated from covered employment data.

The state does not collect data on local business gross receipts, making prospective local business tax estimates difficult. We have used sales tax data to estimate gross receipts by using tow-digit standard industrial classifications to correlate taxable retail sales and use payments with statewide reported gross receipts. Given the high variability of such estimates, the revenue number is one standard deviation below the median forecast.

IV. County Revenue Forecasting Overview

The King County Office of Management and Budget maintains a variety of forecasting models with which to analyze, estimate, and forecast revenue collections. These models are dynamically linked, providing data annually for the King County Executive's Proposed Budget, and four times each year for the Quarterly Budget Report and Quarterly Economic Report.

Sales tax collections account for the largest year-to-year variance in the county budget. Over the past decade, actual collections have swung up or down, on average, by \$3.5 million annually. Detailed data is needed to provide accurate forecasts. Although King County legally imposes local option, criminal justice, and transit sales taxes totaling up to 1.9 percent of retail sales in some parts of the county, the state Department of Revenue (DOR) collects and administers the tax. DOR has transitioned through a variety of mainframe and minicomputer systems since local option sales tax collections commenced in 1976.

The Office of Management and Budget has developed one of the most extensive sales tax forecasting models in the country. Detailed monthly tax collection statements date back to 1983, including 14 years recovered from data tapes. The amount of data involved is substantial. Each tax collection statement contains detailed accounting by place of business of taxable retail sales and use tax receipts. Firms are classified by SIC, and for more recent years, NAICS. Extensive identification information, from self-reported mailing address to business license and corporation identification numbers are also included, including information on payment delinquencies, appeals, and accounting corrections. Altogether, a typical month will include 200,000 entries – nearly five million records.

Such data is important due to the nature of excise and sales tax reporting in Washington state. Depending on the size of gross revenues, firms are required to report on an annual, quarterly, or monthly basis (and semi-annually in the past). Payments are due to the state treasurer during the month following the tax collection period, and are reported and disbursed to the county during the third week of the second month following the tax collection period.

For example, on February 21, 2003, the county received the February 2003 disbursement from DOR. This disbursement covered returns for three tax collection periods – monthly returns for December 2002, quarterly returns for the 4th Quarter of 2002 (October, November, and December), and annual returns for the 2002 calendar year. Tax payments received by DOR after late January 2003 were not included in the February disbursement; there is typically a lag of six weeks between receipt of payment and disbursement of delinquent tax revenues. As a consequence, up to 20 percent of a given disbursement payment consists of delinquent tax activity, with wide swings in delinquency rates from month to month defying simple seasonal and economic cycles.

Two other data sets are combined with collection data in the sales tax forecasting model. Business and occupation tax collections and state utility tax receipts are useful indicators of business conditions, while quarterly comprehensive employer/employee data from the state Employment Security Division on wages covered in the unemployment insurance system provide the single best indicators of localized economic health.

A second major model maintained by the Office of Management and Budget forecasts property tax revenue – specifically annual new construction activity. Initiative 747, approved in November 2001, limits regular property tax levy revenue growth to one percent plus the value of new construction as a proportion of total assessed value. Sales tax filings and covered employment by construction firms are the primary variables in this model, as well as periodic updates from the assessor's office.

Several other econometric models are maintained to project the Real Estate Excise Tax, Auditor Recorder Filing Fee, Delinquency and Penalty Fees, Rental Car Taxes, Interest Earnings, and a host of other revenues. An outyear projection model provides detailed three-year forecasting of approximately 200 smaller general fund revenues.